



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Scott P. Johnson

**SUBJECT:** FISCAL YEAR 2005-06 PROPERTY  
TAX LEVY FOR GENERAL  
OBLIGATION BONDS

**DATE:** July 21, 2005

Approved

*Kay Winer*

Date

*7/25/05*

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

Adoption of a resolution establishing the FY 2005-06 property tax levy for all taxable property for general obligation bonded indebtedness.

## BACKGROUND

At the City's general election held on November 7, 2000, voters approved Measure O (Neighborhood Libraries Bond) and Measure P (Safe Neighborhood Parks & Recreation Bonds) in the not-to-exceed respective amounts of \$211,790,000 and \$228,030,000 authorizing the issuance of general obligation bonds.

At the City's general election held on March 5, 2002, voters approved Measure O (911, Fire Police, Paramedic and Neighborhood Security Act) in the not-to-exceed amount of \$159,000,000 authorizing the issuance of general obligation bonds.

The Bonds are general obligations of the City. In accordance with all relevant provisions of law, including Chapter 14.28 of the Municipal Code, the City is obligated to levy ad valorem taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property which is taxed at limited rates), for the payment of the Bonds and the interest thereon. The City is obligated to direct the County of Santa Clara to collect such ad valorem taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service on the Bonds. Debt service payments on the Bonds are due each year on March 1 and September 1.

The amount of the annual ad valorem tax levied by the City to repay the Bonds is determined by the relationship between the assessed valuation of all taxable property in the City and the amount

July 21, 2005

**Subject: Fiscal Year 2005-06 Property Tax Levy for General Obligation Bonds**

Page 2

of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds, future general obligation bond issuances and changes in the assessed value of taxable property in the City will cause the annual tax rate to vary each year. In order for the County to place the tax levy on the FY 2005-06 property tax bill it is necessary for the City Council to adopt a resolution approving the tax rate for FY 2005-06. The FY 2005-06 tax rate is based on the debt service payable on March 1 and September 1, 2006. The City must submit this tax rate to the County no later than August 12, 2005.

The table on the following page summarizes the bonds issued to date under the libraries, parks and public safety bond authorizations. These four bond issues resulted in a total amount issued of \$352,090,000, with remaining authorizations of \$246,730,000.

<b>City of San José</b> <b>General Obligation Bonds</b> <b>Authorization Level and Issuance Amounts</b>				
	Measure O (11/07/2000) Library Projects	Measure P (11/07/2000) Parks Projects	Measure O (03/05/2002) Public Safety Projects	Total
Initial Authorization	\$211,790,000	\$228,030,000	\$159,000,000	\$598,820,000
Series 2001 (06/06/2001)	31,000,000	40,000,000	0	71,000,000
Series 2002 (07/18/2002)	30,000,000	46,715,000	39,375,000	116,090,000
Series 2004 (07/14/2004)	58,300,000	46,000,000	14,400,000	118,700,000
Series 2005 (06/23/2005)	21,300,000	0	25,000,000	46,300,000
Total Issuance to Date	\$140,600,000	\$132,715,000	\$78,775,000	\$352,090,000
Remaining Authorization	\$71,190,000	\$95,315,000	\$80,225,000	\$246,730,000

## **ANALYSIS**

The total tax levy to be collected in FY 2005-06 will cover the March 1 and September 1, 2006 debt service payments of \$27,646,746. Additionally, the levy covers the County administrative fee estimated at \$69,117, which is approximately 0.25% of the total collections. The Secured and Utility Net Assessed Value for FY 2005-06 is \$92,925,386,971. The tax rate for the secured and utility tax roll for FY 2005-06 is 0.02580 per \$100 in assessed value. The unsecured roll is included in the calculation for the Series 2001, Series 2002 and Series 2004 Bonds for the FY 2005-06 levy. The Unsecured Net Assessed Value for FY 2005-06 is \$6,919,001,932. The tax rate for the unsecured tax roll for FY 2005-06 is 0.02470 per \$100 in assessed value.

For a single-family home with a net assessed value of \$500,000 the tax levy is \$129.00 for FY 2005-06, as compared to \$123.50 for FY 2004-05. This difference is principally due to increased debt service from the issuance of the Series 2005 GO Bonds.

HONORABLE MAYOR AND CITY COUNCIL

July 21, 2005

**Subject: Fiscal Year 2005-06 Property Tax Levy for General Obligation Bonds**

Page 3

### **OUTCOME**

Approval of the recommendations will place the property tax levy on the FY 2005-06 tax roll, which will generate tax revenue sufficient to pay debt service due on the Series 2001, Series 2002, Series 2004 and Series 2005 General Obligation Bonds in March and September 2006, and to pay the County's annual administrative fee.

### **PUBLIC OUTREACH**

At the City's general election held on November 7, 2000, the voters approved Measure O (Neighborhood Libraries Bond) and Measure P (Safe Neighborhood Parks & Recreation Bonds) in the not-to-exceed respective amounts of \$211,790,000 and \$228,030,000 authorizing the issuance of general obligation bonds.

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### **COORDINATION**

This report was prepared by the Finance Department in coordination with the City Manager's Budget Office and the City Attorney's Office.

### **COST IMPLICATIONS**

The adopted tax levy will be placed on the FY 2005-06 tax roll and will be sufficient to pay debt service due on the Series 2001, Series 2002, Series 2004 and Series 2005 General Obligation Bonds in March and September 2006 and to pay the County's annual administrative fee.

### **CEQA**

Not a Project.



SCOTT P. JOHNSON

Director, Finance Department